Appendix A

Governor's Reorganization Plan Number One April 1991 ing the California Environmental Protection Ac

Creating the California Environmental Protection Agency

Introduction

The creation of a California Environmental Protection Agency is among my highest priorities. To assist in this task, the Secretary for Environmental Protection has met with many of those most immediately concerned with California's environmental future--including industry, agriculture, public health officials, environmental organizations, members of the Legislature and staff, and other parts of my Administration--both in Sacramento and throughout the state. He has also reviewed numerous written proposals and opinions, which have been provided.

On April 5, 1991, the Secretary circulated a draft Cal- EPA proposal for review and comment. Many helpful comments were received, and those comments have informed the proposal that I put before you today.

Objectives of Proposed Agency

This proposal for creation of a California Environmental Protection Agency should be evaluated in the context of the environmental protection goals I have laid out for my Administration, including the following:

First, our most urgent attention must be turned toward those activities, processes and substances presenting the greatest risk to public health and the environment.

Second, decisions to set risk-based priorities must be based on rigorous and internally consistent science, at the level widely recognized to be the best available.

Third, we must act to prevent the creation of pollution in the first instance--it is not sufficient, from an environmental or economic standpoint, to focus solely on pollution as it exits the pipe or the stack.

Fourth, environmental protection and economic progress should not be viewed as competing goals, but, to the greatest possible extent, as complementary. Where traditional command and control regulation can be effectively supplemented or supplanted by environmentally protective and legally enforceable market incentive arrangements, we should do so. We should also encourage research and development of environmentally protective technologies, and strive to harness the energy of the free market for environmental improvement. The government should provide information, working alongside profit and non-profit enterprises, which can enable private businesses-- particularly small businesses--to move toward production processes, which are at once environmentally protective and economically successful.

Fifth, vigorous, predictable enforcement must undergird all of our efforts. Enforcement not only protects the public health, but it also assures that good corporate citizenship is not undercut by ill-gotten gains accruing to unscrupulous competitors. An enforcement mindset should also inform the entire regulatory process, making certain that theoretical, environmentally beneficial notions lead to real-time results. An enforcement focus has the added benefit of leading to regulations that are simpler and more reflective of actual field experience--because a regulation that is difficult for the regulated community to decipher and comply with is also difficult for the government to enforce.

Sixth, the regulatory decision-making process must be opened as far as possible to the public as a whole. We should seek consensus with and support from the national government, other parts of state and local government, the legislature, industry, agriculture, environmental groups, and concerned citizens.

There is no question that a unified California Environmental Protection Agency would improve our ability to achieve these goals. In addition, a Cal-EPA would:

- create a primary point of accountability for state environmental programs;
- assure that there is a Cabinet-level voice for environmental protection across the gamut of issues raised for the Governor's consideration and decision;
- allow for more rapid deployment of coordinated government action to meet environmental needs; and
- lead to the reduction of overlapping and redundant bureaucracies which create more confusion than environmental improvement.

The Scope and Process of Reorganization

Many people see, from very different vantage points, that environmental improvement can indeed result from a unified, accountable Cal-EPA. The next question is what should the scope of the reorganization entail?

I have previously identified several areas, which should be included within a Cal-EPA:

- The Air, Water and Integrated Waste Management boards should be more effectively coordinated within a Cal-EPA, while maintaining their independent status;
- Pesticide regulatory programs presently within the Department of Food and Agriculture should be shifted to a Cal-EPA; and
- Chemical risk assessment and toxics regulation programs from the Department of Health Services should be transferred.

In addition to the derivative issues arising from transfer of these areas, there are additional possible areas which could well be included within an "environmental" agency. At the same time, as the number of areas considered for immediate transfer grows, there is a trade-off in terms of process and the speed within which a Cal-EPA could be initiated. In short, as one knowledgeable observer noted, we could spend many months--perhaps years--adjusting

bureaucratic boxes in search of the "ideal" organization. The alternative approach, which is preferable, is to act rapidly to create an initial Cal-EPA possessing basic functions, to be followed with consideration of additional responsibilities. This approach, which might be called a "rolling reorganization," would assure that we get to the real work of environmental improvement as soon as possible.

The California Government Reorganization Process

In 1967, the Legislature statutorily recognized the Governor's authority to reorganize the executive branch, enumerating an "Executive Reorganization" process. That process begins with the Governor's submittal of a reorganization plan to the Little Hoover Commission, which examines the plan and reports its findings to the Legislature. After 30 days, the Governor may submit the plan to the Legislature. The plan then becomes law at the end of 60 days of legislative session, unless it is vetoed by a majority vote of either the Assembly or the Senate. The Executive Reorganization process was created for instances like this--where there is a need for rapid executive action and potential for general agreement on key issues. The process, and the potential for consensus, led to my preference for a limited initial plan, to be followed by legislation on additional specifics in the future. Many elements of my plan for a Cal-EPA are also found in Cal-EPA legislation proposed by Senator Torres, Assemblyman Sher and others.

The California Environmental Protection Agency and Its Functions

With this background, it is proposed that Cal-EPA consist of the following:

- The Office of the Secretary for Environmental Protection;
- The Air Resources Board:
- The Integrated Waste Management Board;
- The State Water Resources Control Board (including the Regional Water Quality Control Boards);
- The Department of Toxic Substances Control (the Toxic Substances Control program, transferred intact from the Department of Health Services);
- The Department of Pesticide Regulation (the Pesticide Regulation program, transferred intact from the Department of Food and Agriculture); and
- The Office of Environmental Health Hazard Assessment (specified "environmental" functions of the Health Hazard Assessment Division, transferred from the Department of Health Services).

More specifically, the proposed components include:

A. Office of the Secretary:

1. Management Goal: The Secretary will serve as the primary point of accountability, reporting directly to the Governor, for the management of environmental protection programs. The Office of the Secretary will bring together functions which cut across the various programs designed to address pollution in a specific medium, e.g., air, surface water, ground water, land disposal, etc.

2. Proposed Functions: The Office will fulfill the Agency Secretary role for the Boards, Departments and Offices within Cal-EPA. The Secretary will advise the Governor on, and assist in the implementation of, major policy and program matters. The Office of Secretary will also serve as the principal communication link between the Governor and the constituent units of the Agency.

Cross-cutting and coordination responsibilities will be reposed with the Office. To assist in the fulfillment of these responsibilities I intend to establish, via Executive Order, an Environmental Policy Council chaired by the Secretary and including the heads of the constituent Boards, Departments and Offices, and the Governor's Office of Planning and Research. The Council, which will be created on the effective date of this Reorganization Plan, will assist the Secretary in coordinating the implementation of environmental programs, and will develop recommendations for the Governor and the Legislature as to actions necessary to effectively protect and enhance the environment of the state.

Specific functions to be performed within the Office of the Secretary will include budget review, review of personnel management, intergovernmental liaison (including the legislature, local and national governments, and other parts of the state executive branch), enforcement coordination, information management coordination, strategic planning and pollution prevention, a public advisor role, and public information and communication. There will also be a science advisor to the Secretary to assist in consideration of the range of scientific issues. The science advisor will serve as a liaison with outside scientists, and will assure that risk assessment procedures used by the Agency are in conformance with the best available scientific guidance, including, for example, recommendations of the National Academy of Sciences report, Risk Assessment in the Federal Government: Managing the Process (1983).

To the greatest possible extent, the Office of the Secretary will be budgeted from sources currently funding the Office of Environmental Affairs, the toxics program and the pesticides program. The Office also will make use of personnel on rotating assignments from the Agency's constituent boards and departments--which is not only economical, but will also instill a cross-media approach.

3. Transferred Functions and their Origins:

Authority for Agency Secretary oversight of the Air Resources Board, Water Resources Control Board, and Integrated Waste Management Board is transferred from the Resources Agency. Authority to advise the Governor on policies affecting those Boards, and serve as the principal communications link between the Governor and the Boards, is transferred from the Chairperson of the Air Resources Board. Staff and budget authority housed in the Environmental Affairs Program of the Air Resources Board, which support the Chairperson's former communication and policy advisor role, likewise will be transferred to the Office of the Secretary of the Cal-EPA.

Authority for Agency Secretary oversight of the Toxic Substances Control program, and specified portions of the Health Hazard Assessment Division, is transferred from the Secretary for Health and Welfare.

Authority to oversee the activities of the Pesticide Regulation program is transferred from the Director, Department of Food and Agriculture.

B. Air, Water, and Integrated Waste Management Boards:

- 1. Management Goal: To include within the Cal-EPA those entities responsible for air, water, and solid waste management programs, and to provide the Office of the Secretary with the coordination authorities described in the previous section concerning the Office of the Secretary, consistent with the independent status of the Boards. The Air Resources Board, the Water Resources Control Board and the Integrated Waste Management Board have each been a part, in functional terms, of the predecessor Environmental Affairs unit, and clearly belong within a successor organization.
- **2. Proposed Functions:** With the exception of the Environmental Affairs Program within the Air Resources Board, which will be transferred to the Office of the Secretary, all existing functions of each of the three Boards will be retained by the Board that currently performs the function.
- **3. Transferred Functions and their Origins:** The reorganization proposal does not transfer any functions to the three Boards. The Environmental Affairs Program within the Air Resources Board will be transferred from the Air Resources Board to the Office of the Secretary.

C. Department of Toxic Substances Control:

- **1. Management Goal:** The Toxic Substances Control program, including state Superfund and Resource Conservation and Recovery Act functions, are wholly environmental functions, and should be transferred to the new Cal-EPA. To minimize programmatic disruption, the Toxic Substances Control Program should be transferred intact to the new Agency.
- **2. Proposed Functions:** All existing functions of the Toxic Substances Control program in the Department of Health Services, including the assessment of risks associated with alternative cleanup strategies at specific sites, will be included within the Cal-EPA as a Department.
- **3. Transferred Functions and their Origins:** All existing functions of the predecessor unit will be transferred.

D. Department of Pesticide Regulation:

- **1. Management Goal:** I am committed to moving the pesticide regulatory function from the Department of Food and Agriculture to the Cal-EPA. There are strong linkages between pesticide regulation and other environmental regulatory programs which would be strengthened by this move. To minimize programmatic disruption, the pesticide regulatory program should be transferred intact to the new Agency.
- **2. Proposed Functions:** All existing functions of the Pesticide Regulation program will be within Cal-EPA, including the pesticide registration, medical toxicology, worker health and

safety, environmental monitoring and pest management, pesticide enforcement, and information services branches. Field enforcement will remain with county agricultural commissioners, who for this purpose will have a reporting relationship with this Department. To assure that statutory requirements concerning consideration of societal benefits of pesticides are fulfilled in the Agency risk management process, written consultation with the Department of Food and Agriculture will be undertaken, and such documents will be made available for public review.

3. Transferred Functions and their Origins: All existing functions of the predecessor unit would be transferred.

E. Office of Environmental Health Hazard Assessment:

- 1. Management Goal: The Office of Environmental Health Hazard Assessment (OEHHA) will provide information to environmental regulators and the public about the adverse health effects that result from environmental exposures to noninfectious agents. The proposed organizational placement of the Office, to become a freestanding entity parallel to the risk management programs, represents a significant elevation from its current division status. The proposed structure of this Office will provide functional and organizational separation of risk assessment from risk management, while providing the Agency with the tools needed to achieve its mission of environmental protection. This approach is consistent with the recommendations of the landmark National Academy of Sciences study, Risk Assessment in the Federal Government: Managing the Process. At the same time as environmental risk assessment responsibilities will move from the Department of Health Services to the Cal- EPA, related public health responsibilities will remain with DHS, thereby maintaining strong roles and capabilities within that Department.
- **2. Proposed Functions:** The function of OEHHA will be to evaluate the health risks of chemicals in the environment. To this end, OEHHA will provide information to environmental regulators and the public about the health effects that result from environmental exposures to noninfectious agents. Emphasis will be placed on the synergistic and cumulative effects of total exposure from all pollution sources. OEHHA will identify, quantify, and recommend health-based standards for chemicals in the environment, and provide technical and scientific support, consultation, and training to state regulators, local government agencies, and the public. OEHHA will also develop scientific policies and guidelines for risk assessment procedures for the Secretary. Finally, OEHHA will provide oversight of regulatory activities and guidance on scientific aspects of environmental protection.

Specific OEHHA activities will focus on chemicals in air, water, food, solid and hazardous waste, fish, sediment, and certain consumer products, as well as chemicals subject to the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65).

OEHHA will contain the following organizational units, comprising the "environmental" components of the current Health and Hazard Assessment Division of the Department of Health Services:

The Proposition 65 Implementation Office. The HHAD division office houses the implementation of Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986. HHAD serves this function for the Health and Welfare Agency, which currently is the lead agency for implementing the Proposition. On the day that this Reorganization Plan takes effect, I will, via Executive Order, designate the Cal-EPA as lead agency for Proposition 65 implementation.

In its Proposition 65 role, the office convenes the Cabinet Level Working Group which provides advice on the implementation of Proposition 65. This working group consists of Secretaries and Directors from the Office of Environmental Protection, Department of Health Services, Department of Food and Agriculture, Department of Industrial Relations, the Business, Transportation and Housing Agency, and the Resources Agency. The office convenes the Scientific Advisory Panel, updates the list of chemicals known to the State of California to cause cancer or reproductive toxicity, promulgates regulations, and provides information to interested parties about Proposition 65.

The office coordinates Proposition 65 related activities and interacts with staff in the Department of Food and Agriculture pesticide program, the State Water Resources Control Board, the Air Resources Board, and several Department of Health Services components including the Office of Drinking Water, the Division of Laboratories, and the Toxic Substances Control Program. It interacts with the Attorney General's Office on enforcement matters.

The Hazardous Waste Toxicology Section (HWTS). The HWTS, currently in HHAD's Environmental Epidemiology and Toxicology Branch, performs the following functions: (1) It provides public health oversight for the criteria and standards developed by the Toxicology and Risk Assessment Section of the Toxic Substances Control Program. (2) It performs site-specific risk assessments that examine past and present risk to residents and communities living near or on hazardous waste sites. These are used to determine if a community is at risk of adverse health effects from their exposure and whether or not an epidemiological study would be useful. (3) It reviews and evaluates risk assessments on hazardous waste incinerators that are being considered for permitting by the Toxic Substances Control Program and local air districts. (4) It provides medical and scientific consultation to the Toxics Substances Control Program, other state and local agencies, and to industries and the general public on issues dealing with hazardous waste. (5) It provides consultation to the Integrated Waste Management Board on its developing programs. (6) It addresses a number of environmental contamination issues that do not fit into traditional media categories.

The Hazardous Waste Toxicology Section interacts closely with the Environmental Epidemiology and Toxicology Branch (which will remain in the Department of Health Services), and with the Toxics Substances Control Program (which will become a new department). It interacts with the Air Board, Water Board, Waste Board, and local agencies on a variety of issues. It interacts regularly with all other HHAD programs and with the Division of Laboratories. It also interacts with the Environmental Health Division's radiologic health programs on issues related to evaluating federal Department of Energy sites in California. These interrelationships will continue under the proposed Cal-EPA.

The Hazard Identification and Risk Assessment Branch. This branch consists of three sections, all of which will move to the Cal-EPA. The Reproductive and Cancer Hazard

Assessment Section (RCHAS) provides technical support to the Proposition 65 Implementation Office for chemical listings and for risk assessments for regulatory purposes. RCHAS also develops criteria and guidelines for identifying chemicals as carcinogens or reproductive toxicants and for performing risk assessments. RCHAS is currently developing guidelines for identifying developmental and reproductive toxicants for DHS, and is updating the DHS carcinogen guidelines. Because RCHAS addresses chemicals rather than media, it often interacts with various programs that have concern about the chemical in a particular medium. In this regard, RCHAS' expertise is regularly sought by all HHAD components and many other DHS and state programs. These interactions will continue in the proposed Cal-EPA. The Air Toxicology and Epidemiology Section (ATES) houses programs to evaluate criteria air pollutants such as ozone, oxides of nitrogen, and sulfur dioxide. Programs identifying toxic air contaminants and reviewing assessments under the "toxic hot spots" program are also housed in ATES. These activities are principally in support of ARB and local air district programs. HTES also interacts with the Air and Industrial Hygiene Laboratory on matters of indoor air pollution, and with other HHAD programs whenever problems related to air pollution need to be addressed.

The **Pesticide** and **Environmental Toxicology Section** (PETS) houses programs for pesticide oversight, food safety, and drinking water evaluation. PETS houses HHAD's operations in oversight of the Department of Food and Agriculture's pesticide programs. It is responsible for representing DHS on its mandated "joint and mutual responsibility" for worker health and safety with regard to pesticides. In addition, its staff serve on a number of CDFA oversight committees. PETS also provides training and guidance to local health agencies on pesticide-related issues.

PETS reviews all risk assessments performed by CDFA staff during the course of that department's regulatory activities. PETS performs risk assessments on pesticides through the establishment of tolerances on foods, as mandated by AB 2848. PETS is also responsible for evaluating, for the DHS Food and Drug Branch, the safety of pesticides in processed foods. PETS provides consultation to the Food and Drug Branch on an as-needed basis for other food problems. Other aspects of consumer product safety are also handled for the Food and Drug Branch by PETS.

Risk assessments for drinking water standards (maximum contaminant levels) are developed by PETS for the DHS Office of Dnking Water. PETS also develops "recommended public health levels" for chemicals in drinking water.

PETS also evaluates the toxicity of consumed fish and wildlife for the Department of Fish and Game and the Water Board. These evaluations lead to recommendations to Fish and Game for warnings for sportsfish and for closure of commercial fishing operations. This program is expanding into providing scientific support for activities related to sediment and bay/estuary protection (primarily implemented by the Water Board), as a result of new legislation and the pending establishment of additional positions in the Governor's Budget.

This Office of Environmental Health Hazard Assessment structure, and its relation to other Cal-EPA programs, are consistent with the recommendations of the National Academy of Sciences report, **Risk Assessment in the Federal Government: Managing the Process** (1983). The NAS Report, at 18, defines "risk assessment" as "the characterization of the potential adverse health effects of human exposures to environmental hazards." In contrast, "risk management" is defined as "the process of evaluating alternative regulatory actions and selecting among them.... The selection process necessarily requires the use of value judgments on such issues as the acceptability of risk and the reasonableness of the costs of control." Id., 18-19. The components of risk assessment--hazard identification, dose-response assessment, exposure assessment, and risk characterization--must be unequivocally separated and insulated from the broader social and economic issues inherent in risk management. Id. at 3. The question to be considered here is, how is this separation best accomplished, and environmentally protective

The NAS study reviews proposals to organizationally separate risk assessment and risk management, as well as proposals to centralize risk assessment activities in a single organization to serve all federal regulatory agencies. After examining the operation of risk assessment and risk management in several federal agencies, the Study concludes:

regulation achieved.

The Committee believes that the basic problem with risk assessment is not its administrative setting, but rather the sparseness and uncertainty of the scientific knowledge of the health hazards addressed. Reorganization of the risk assessment function will not create the data and underlying knowledge that assessors need to make risk assessments more precise.

Id. at 150. Finding that particular drawbacks could arise as a result of extra-agency separation, the NAS Study recommends measures other than organizational separation which could be applied to assure the distinction between risk assessment and risk management. Those measures include:

requiring written risk assessments which are publicly available, and which clearly distinguish between the scientific basis and the policy basis for an agency's conclusions; arrangements for independent, outside peer review of Agency risk assessments, with panel members chosen for scientific and technical competence. Peer review panels will provide the Agency with written evaluations of risk assessments, to be made available for public review; and adherence to uniform guidelines for risk assessment.

The proposed Cal-EPA will meet the NAS criteria. The functional and conceptual separation of risk assessment and risk management will be bolstered by the establishment of the OEHHA as a free-standing office, separated organizationally from the other regulatory units. At the same time, the risk assessment function will be housed within Cal-EPA, thereby enabling the Agency to set timing and resource priorities as necessary to achieve its environmental protection mission. The peer review of Food and Agriculture and Toxics Program risk assessments presently performed by the environmental components of the HHAD unit of DHS, to become OEHHA, will continue, and will meet the NAS risk assessment criteria of publicly available and independent risk assessments. In addition, to assure that the NAS criteria are implemented on a continuing basis, and to review the need for any future adjustments of Agency practice, the Office of the Secretary will include a science advisor, reporting directly to the Secretary.

3. Transferred Functions and their Origins: This proposal divides the existing HHAD of the Department of Health Services into two groups. The first group, recommended above as

OEHHA, comprises the environmental (distinguished from the public health) components of the existing HHAD. The remainder of HHAD, which will contain the environmental medicine and epidemiology staff, will be renamed the Environmental and Occupational Epidemiology Program, and will remain in the Department of Health Services. This program will be responsible for the evaluation of environmental disease related to chemicals in the environment, and occupational disease and injury related to workplace hazards. These programs are principally the "medical" groups of HHAD, although they do contain some toxicologic/scientific staff. Their duties will be consistent with other programs in the Department of Health Services that deal with human medicine.

In organizational terms, the Environmental and Occupational Epidemiology Program will consist of the following organizational units, remaining in the Department of Health Services: **California Occupational Health Program.** This program provides evaluations of chemicals in the workplace to employers, employees, and the Department of Industrial Relations (DIR). It is partially supported by DIR. It also performs epidemiological investigations related to workers, under statutes that give DHS authority to enter the workplace. In these capacities, the program interacts with DIR and with HHAD's toxicologic and epidemiologic programs, as well as the DHS Division of Laboratories.

California Birth Defects Monitoring Program. This is a registry that collects and analyzes statewide data on adverse birth outcomes. It tabulates and studies birth defects, investigates birth defect clusters, and interacts with HHAD and other DHS programs as appropriate.

Special Epidemiological Studies Section. This section has two major studies underway. One, being completed, deals with contaminated drinking water in Santa Clara County. The other deals with electromagnetic fields. The section also handles other epidemiologic concerns that arise. The section interacts with other HHAD and DHS programs, as well as the Public Utilities Commission.

Environmental Epidemiology and Toxicology Branch. The Hazardous Waste Toxicology Section of this branch will be transferred to Cal-EPA. The remaining components perform medical and epidemiological evaluations of populations around hazardous waste sites or hazardous facilities. They also provide medical and epidemiologic support with regard to cancer clusters and poisonings related to hazardous consumer products. The branch also houses the Childhood Lead Poisoning Prevention Program for the State. In these capacities, the branch interacts with the Toxic Substances Control Program, other HHAD programs, and other DHS programs, including the Food and Drug Branch, the Division of Laboratories, the maternal and child health programs of the Family Health Division, and the Cancer Surveillance Section of the Preventive Medical Services Division.

Program Interactions

Any reorganization requires careful attention to ensure that prior working relationships are not disrupted, and that all necessary information and guidance can be obtained in an efficient and organized fashion. In the current instance, it appears that various formal agreements defining the

relationship of the Cal-EPA elements among themselves and with external agencies will be useful in maintaining effective working relationships.

For example, it is my intention that, following reorganization, OEHHA will enter into formal agreements to document that Cal-EPA will continue to provide service to the DHS drinking water and food and consumer product safety programs. This will assure that the good working relationships that exist today will continue in the future. I also will direct that Cal-EPA enter into formal agreements with DHS to assure close interaction of OEHHA staff with epidemiologic and medical staff in DHS to address issues of mutual concern with regard to environmental and public health. An agreement with the DHS Division of Laboratories is also appropriate.

Similarly, I will direct that Cal-EPA develop formal agreements with the Department of Food and Agriculture defining the scope and nature of program interaction.

Other steps, such as the establishment of formal committees and interagency advisory groups, may also be helpful. In these ways, those who have worked hard for so long to build an effective team to deal with environmental and public health issues can see their efforts continue to grow and prosper after the creation of the new Cal-EPA.

I recognize that formal or informal agreements, advisory groups, and the like are not organizational changes subject to the Executive Reorganization Act process. I discuss my plans for such agreements in this document in order to clarify my intent to take all steps necessary to ensure that sound working relationships are achieved.

Conclusion

Organizational plans, no matter how extensive or well- conceived, will not in themselves protect the environment unless they are printed on highly absorbent paper, which can be used to soak spills. The key is to get to the work at hand. It is absolutely essential that an agency be created without delay, and that notions of a "perfect" structure not distract us from moving ahead now with an organization that can get to work, and begin to do some good.

This proposal is intended in that spirit. It aims to pull together areas of consensus, and to move the process forward on a rapid timeframe. The organizational model described herein should be viewed as the first step in a continuing effort. Additional areas for inclusion can be addressed subsequently in the traditional legislative process, informed not only by the views of a broad array of concerned citizens, but also by the experience of a functioning environmental protection agency.